

ANNUAL REPORT

SILKNIT LIMITED

AND SUBSIDIARY COMPANIES

for the fiscal year ended
DECEMBER 31, 1966



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SILKNIT LIMITED

TORONTO 2B, CANADA

April 6th, 1967.

To the Shareholders of

SILKNIT LIMITED :

The Board of Directors of your Company submits herewith the consolidated financial statements of Silknit Limited and subsidiary Companies for the year ended December 31, 1966.

The combined earnings of the companies, before provision for income taxes, amounted to \$439,330 in 1966, a decrease of \$94,113 from the amount of \$533,443 earned in the previous year. However, as a result of an internal corporate reorganization, a substantial part of the previous years' losses of a subsidiary can be offset for income tax purposes against the profits of 1966, in addition to which capital cost allowances claimable for tax purposes in 1966 are considerably in excess of the depreciation recorded in the accounts for the year as shown by Note 2 to the consolidated financial statements; accordingly the provision for income taxes for 1966 amounts to only \$105,000 as compared with \$304,500 for the previous year. Combined net earnings, after provision for income taxes, amounted to \$334,330, an increase of \$105,387 over the net earnings of \$228,943 in 1965.

Sales of your Company's products again increased over the previous year despite a softening in the market for textile products during the latter part of 1966, which softness has carried through into 1967 affecting the Canadian textile industry in general and necessitating a temporary slow-down in production. This softness in the market, combined with increasing direct costs, particularly in the area of labour, makes it difficult to forecast what the remainder of 1967 will bring although we are hopeful that conditions will improve and that satisfactory results of operation will be shown for the year.

Dividends aggregating 55 cents per share, including an extra dividend of 15 cents, were paid in 1966 on the no par value Common Shares of the Company and regular quarterly dividends at the rate of 5% per annum were paid on the \$40 par value Preferred Shares. During 1966, 81 of the \$40 par value Preferred Shares were purchased for cancellation at a cost of \$3,273.

Net current assets, or working capital, decreased by \$63,662 during the year, as shown by the accompanying Statement of Source and Application of Funds, to an amount of \$3,260,408 at December 31, 1966.

Your Directors wish to record their appreciation of the loyal services rendered throughout the year by the officers and employees of the Company.

ON BEHALF OF THE BOARD,

H. B. EPSTEIN,

President.

PRICE WATERHOUSE & CO.

55 YONGE STREET
TORONTO 1
MARCH 21, 1967.

AUDITORS' REPORT

To the Shareholders of

SILKNIT LIMITED :

We have examined the consolidated balance sheet of Silknit Limited and subsidiary companies as at December 31, 1966 and the consolidated statements of earnings, surpluses and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1966 and the results of their operations and their source and application of funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE WATERHOUSE & CO.
Chartered Accountants.

SILKNIT

AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS:

	1966	1965
Cash.....	\$ 40,752	\$ 6,939
Accounts receivable, less allowance for doubtful accounts.....	1,834,029	1,682,294
Receivable from associated company.....	—	6,937
Inventories of raw materials and supplies, work in process and finished stock, valued at the lower of cost and realizable value.....	3,489,691	3,041,040
Prepaid expenses.....	42,080	53,048
Total current assets.....	5,406,552	4,790,258

OTHER ASSETS:

Investments in shares of associated companies, at cost (Note 1).....	23,586	23,606
Cash surrender value of life insurance.....	126,914	119,549
Sundry.....	34,882	56,716
	185,382	199,871

FIXED ASSETS:

Land, buildings, plant and equipment, at cost.....	4,144,075	3,705,760
Less—Accumulated depreciation.....	2,712,466	2,490,933
	1,431,609	1,214,827

ON BEHALF OF THE BOARD:

M. H. EPSTEIN, *Director.*

H. B. EPSTEIN, *Director.*

\$7,023,543 \$6,204,956

LIMITED

COMPANIES

ET — DECEMBER 31, 1966

LIABILITIES

CURRENT LIABILITIES:

	<u>1966</u>	<u>1965</u>
Bank advances (secured).....	\$1,140,782	\$ 501,780
Accounts payable and accruals.....	897,811	689,872
Payable to associated company.....	10,927	—
Income and other taxes payable.....	31,922	241,738
Sinking fund payment due within one year.....	64,702	32,798
Total current liabilities.....	2,146,144	1,466,188

MORTGAGE BONDS:

4½% First Mortgage Sinking Fund Bonds maturing August 15, 1967.....	—	64,702
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SHAREHOLDERS' EQUITY:

Five per cent (5%) cumulative redeemable preferred shares:		
Authorized—25,000 shares of \$40 each		
Issued—15,000 shares		
Outstanding—6,112 shares (1965—6,193 shares).....	244,480	247,720
Common shares:		
Authorized—600,000 shares without nominal or par value		
Issued and outstanding—210,000 shares.....	350,000	350,000
Earned surplus (of which \$355,520 is designated as capital surplus in compliance with Section 61 of The Canada Corporations Act).....	3,800,127	3,593,521
Contributed surplus.....	482,792	482,825
	4,877,399	4,674,066
	\$7,023,543	\$6,204,956

SILKNIT LIMITED

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1966

	<u>1966</u>	<u>1965</u>
Net sales.....	\$9,976,023	\$9,075,141
<i>Deduct:</i>		
Cost of merchandise sold and all expenses, except the items shown below.....	9,214,896	8,278,248
Provision for depreciation.....	238,437	183,410
Interest on mortgage bonds.....	3,718	5,036
Directors' fees and remuneration of officers who are directors.....	79,642	75,004
	<u>9,536,693</u>	<u>8,541,698</u>
Earnings before provision for income taxes.....	439,330	533,443
Provision for income taxes (Note 2).....	105,000	304,500
Net earnings for the year.....	<u>\$ 334,330</u>	<u>\$ 228,943</u>

SILKNIT LIMITED

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 1966

Balance at beginning of year.....		\$3,593,521
Net earnings for the year.....		334,330
		<u>3,927,851</u>
<i>Deduct:</i>		
Dividends—On preferred shares.....	\$ 12,224	
On common shares.....	115,500	
		<u>127,724</u>
Balance at end of year.....		<u>\$3,800,127</u>

CONSOLIDATED STATEMENT OF CONTRIBUTED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 1966

Balance at beginning of year.....	\$ 482,825
Loss on preferred shares purchased for cancellation during the year.....	33
	<u>33</u>
Balance at end of year.....	<u>\$ 482,792</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, DECEMBER 31, 1966

1. INVESTMENT IN SHARES OF ASSOCIATED COMPANIES:

The book value of the net assets attributable to the investment in shares of associated companies (50% owned) at December 31, 1966 amounted to \$628,900 (1965—\$537,675).

2. INCOME TAXES:

Capital cost allowances to be claimed for tax purposes in excess of the depreciation recorded in the accounts have reduced the provision for income taxes by \$75,000 (1965—\$35,000). The cumulative amount of such tax reductions is \$161,000.

SILKNIT LIMITED

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED DECEMBER 31, 1966

	<u>1966</u>	<u>1965</u>
<u>SOURCE OF FUNDS:</u>		
Funds provided from operations—		
Net earnings.....	\$ 334,330	\$ 228,943
Provision for depreciation.....	238,437	183,410
	<u>572,767</u>	<u>412,353</u>
<u>APPLICATION OF FUNDS:</u>		
Dividends—Common.....	115,500	84,000
Preferred.....	12,224	13,553
Cost of preferred shares purchased for cancellation.....	3,273	31,471
Additions to fixed assets (net).....	455,219	204,892
Income taxes assessed for prior years.....	—	107,872
Sinking fund requirement on First Mortgage Bonds.....	64,702	34,341
Other (net).....	(14,489)	10,570
	<u>636,429</u>	<u>486,699</u>
Resulting in a decrease in working capital of.....	63,662	74,346
Working capital at beginning of year.....	3,324,070	3,398,416
Working capital at end of year.....	<u>\$3,260,408</u>	<u>\$3,324,070</u>

SILKNIT LIMITED

OFFICERS AND DIRECTORS

M. H. EPSTEIN.....	<i>Chairman of the Board and Director</i>
H. B. EPSTEIN.....	<i>President and Director</i>
H. T. BURGESS.....	<i>Secretary and Director</i>
W. CROMPTON.....	<i>Treasurer</i>
E. J. LERANBAUM.....	<i>Director</i>
E. G. McMILLAN.....	<i>Director</i>
M. ROGERS.....	<i>Director</i>
C. W. DUMAS.....	<i>Director</i>
J. A. PINATEL.....	<i>Director</i>
MRS. ANNE EPSTEIN.....	<i>Director</i>

